

CREATIVE COMMONS CORPORATION
(A NONPROFIT CORPORATION)

DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

Creative Commons Corporation (a Nonprofit Corporation)

Independent Auditors' Report and Consolidated Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
CREATIVE COMMONS CORPORATION (A NONPROFIT CORPORATION)
MOUNTAIN VIEW, CALIFORNIA

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **CREATIVE COMMONS CORPORATION (Creative Commons)** which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Creative Commons' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
September 26, 2018

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Financial Position

December 31, 2017

Assets

Cash and cash equivalents	\$	894,738
Investments		7,504,681
Grants receivable		548,853
Prepaid expenses and other assets		35,965

Total assets	\$	8,984,237
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Liabilities and Net Assets

Liabilities

Accounts payable	\$	53,314
Accrued expenses		290,402

Total liabilities		343,716
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Net Assets:

Unrestricted		7,389,600
Temporarily restricted		1,250,921

Total net assets		8,640,521
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Total liabilities and net assets	\$	8,984,237
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See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Activities and Change in Net Assets

For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	\$ 361,005	\$ 579,587	\$ 940,592
Contributions	548,765		548,765
In-kind contributions	69,747		69,747
Investment income	211,969		211,969
Foreign currency translation loss	(648)		(648)
Satisfaction of Program Restrictions	1,012,231	(1,012,231)	-
Total revenues	2,203,069	(432,644)	1,770,425
Expenses:			
Program services:	2,756,446		2,756,446
Supporting services:			
Management and General	428,461		428,461
Fundraising	499,775		499,775
Total expenses	3,684,682		3,684,682
Change in Net Assets	(1,481,613)	(432,644)	(1,914,257)
Net Assets, beginning of year	8,871,213	1,683,565	10,554,778
Net Assets, end of year	\$ 7,389,600	\$ 1,250,921	\$ 8,640,521

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services						Supporting Services				2017 Total Expenses
	Education	International Affiliates	Legal	Technology	Science	Culture	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 410,800	\$ 112,504	\$ 126,077	\$ 241,298	\$ 76,804	\$ 273,819	\$ 1,241,302	\$ 217,460	\$ 276,432	\$ 493,892	\$ 1,735,194
Payroll Taxes	26,490	7,255	8,130	15,560	4,953	17,657	80,045	14,023	17,825	31,848	111,893
Employee Benefits	50,352	13,790	15,453	29,576	9,414	33,562	152,147	26,654	33,882	60,536	212,683
	487,642	133,549	149,660	286,434	91,171	325,038	1,473,494	258,137	328,139	586,276	2,059,770
Accounting Fees	6,450	1,767	1,980	3,789	1,206	4,300	19,492	3,415	4,341	7,756	27,248
Bank Charges	10,647	2,916	3,268	6,254	1,991	7,097	32,173	5,636	7,164	12,800	44,973
Consulting and Design	104,973	194,382	93,550	16,392	(5,150)	83,476	487,623	31,491	(4,349)	27,142	514,765
Insurance	15,081	4,130	4,628	8,858	2,819	10,052	45,568	7,983	10,148	18,131	63,699
Legal Fees	21,095	5,777	6,474	12,391	3,944	14,061	63,742	11,167	14,195	25,362	89,104
Licenses & Fees	404	111	124	237	76	269	1,221	214	272	486	1,707
Membership and Dues	44	12	13	26	8	29	132	23	29	52	184
Occupancy	1,202	329	369	706	225	801	3,632	636	809	1,445	5,077
Printing	4,602	1,260	1,412	2,703	860	3,068	13,905	2,436	3,097	5,533	19,438
Project Support		5,080					5,080				5,080
Publicity and Communication	5,205	1,425	1,597	3,057	973	3,469	15,726	2,755	3,503	6,258	21,984
Recruiting	766	210	235	450	143	511	2,315	405	515	920	3,235
Special Events	42,889	11,746	13,163	25,192	8,018	28,587	129,595	22,703	28,860	51,563	181,158
Supplies	3,674	1,006	1,128	2,158	687	2,449	11,102	2,339	2,472	4,811	15,913
Technology	12,682	3,473	3,892	7,449	2,371	8,453	38,320	6,713	8,534	15,247	53,567
Telephone	2,758	755	847	1,620	516	1,839	8,335	1,460	1,856	3,316	11,651
Training	1,758	481	539	1,032	329	1,172	5,311	930	1,183	2,113	7,424
Travel and Conferences	117,708	32,236	36,125	69,140	22,007	78,458	355,674	62,309	79,207	141,516	497,190
Website	14,564	3,988	4,470	8,554	2,723	9,707	44,006	7,709	9,800	17,509	61,515
Total expenses	\$ 854,144	\$ 404,633	\$ 323,474	\$ 456,442	\$ 134,917	\$ 582,836	\$ 2,756,446	\$ 428,461	\$ 499,775	\$ 928,236	\$ 3,684,682

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Change in net assets	\$ (1,914,257)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(78,111)
Change in operating assets and liabilities:	
Grants receivable	569,282
Prepays and other assets	45,675
Accounts payable	(42,170)
Accrued expenses	59,681

Net cash used by operating activities	(1,359,900)
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Cash Flows from Investing Activities:

Purchase of investments	(9,018,522)
Proceeds from sale of investments	1,591,952

Net cash used by investing activities	(7,426,570)
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Net Decrease in Cash	(8,786,470)
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Cash and Cash Equivalents, beginning of year	9,681,208
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Cash and Cash Equivalents, end of year	\$ 894,738
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See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 1 - Organization:

Creative Commons Corporation (Creative Commons) is a Massachusetts nonprofit corporation that develops, supports, and stewards legal and technical infrastructure that maximizes digital creativity, sharing, and innovation. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work published to the Web, Creative Commons provides a set of free copyright licenses and public domain tools that enable everyone to grant copyright permissions to their creative works so that they can be legally used by others. Creative Commons' public domain tools allow creators to waive all rights to a work and place it in the public domain, or to mark a work that is already in the public domain.

Creative Commons enables scientific research and innovation by enabling open access journals and the open exchange of scientific data. When a CC license is applied to a journal or scientific data, the journal and data can be freely reused by others. Creative Commons' licenses and public domain tools are also used to make data and databases freely available. The Creative Commons public domain dedication tool is used to remove all copyright restrictions.

Creative Commons also provides the legal infrastructure that powers Open Educational Resources (OER). OER are free resources that are developed by institutions, communities, and individuals to further universal access to education. Creative Commons' licenses enable educational materials to be translated for use around the world. Creative Commons is also developing software and metadata standards to improve search and discovery of educational resources.

Creative Commons' licenses and tools have been developed in consultation with legal experts and Creative Commons' affiliate institutions in over 85 jurisdictions. Over 1 billion Creative Commons-licensed works have been published by authors on the Internet.

In 2012, a Canadian subsidiary, 0941176 B.C. LTD, was established to enable Creative Commons to engage the services of Canadian-based individuals. Creative Commons is the sole shareholder of the subsidiary. A management services agreement is in place between the organizations and provides the structure for provision of those services to Creative Commons by the subsidiary through its employees and its operations are reported in the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

b. Basis of Presentation

Creative Commons reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Temporarily Restricted Net Assets – the portion of net assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Creative Commons.

Permanently Restricted Net Assets – the portion of net assets the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of Creative Commons. Creative Commons has no permanently restricted net assets.

c. Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e. Revenue Recognition

Unconditional promises to give, which include grants and contributions, are recognized upon receipt and are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor-specified restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), the temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. No allowance for uncollectible receivables has been recorded based on management's evaluation of collections.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

At December 31, 2017, all receivables are due within one year. At December 31, 2017, there was one conditional promise to give in the amount of \$250,000 that Creative Commons expects to recognize in 2018, upon fulfillment of conditions.

Grants and contract revenue are recorded when earned.

f. Investments

Investments are carried at fair market value with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

g. Fair Value Measurements

Creative Commons classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect Creative Commons' determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

h. Income Taxes

Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Creative Commons recognizes the effect of income tax positions only if those positions are more than not to be sustained. Management continuously evaluates tax positions reflected in the Creative Commons' tax filings and does not believe that any material uncertain tax positions exist.

Creative Commons' federal and state income tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after filing.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

i. Functional Expense Allocations

Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

Note 3 - Investments:

Investments consist of the following at December 31, 2017:

Cash and cash equivalents	\$ 21,607
Equities	1,389,590
Fixed income	5,483,602
Mutual funds – equities & fixed income	609,882
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	\$ 7,504,681

All investments are measured at Level 1.

Investment income is comprised of the following at December 31, 2017:

Interest and dividend income	\$ 133,858
Realized gains and losses	16,841
Unrealized gains and losses	61,270
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Total investment income	\$ 211,969

Note 4 - Concentrations of Risk:

Creative Commons maintains cash balances at several financial institutions which from time to time exceed federally insured limits.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 5 - Temporarily Restricted Net Assets:

Restricted as to purpose and time as of December 31, 2017:

Learning Resource Metadata Initiative	\$ 63,577
International Network Development	722,344
Sponsorship for 2018 Global Summit	200,000
Collaborative Library Process	250,000
GLAM Oriented Certificate	15,000
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Total	\$ 1,250,921

Note 6 - Pension Plan:

Creative Commons has a Tax Sheltered Annuity under IRC Section 403(b), which allows all employees to contribute through payroll deductions. Creative Commons provides discretionary matching contributions of 5% of annual salary for all employees who work 20 hours or more per week. Creative Commons' contributions made during the year ending December 31, 2017 totaled \$94,777.

Note 7 - Subsequent Events:

Creative Commons has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2017 through September 26, 2018, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.